

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
Le Mars, Iowa**

FINANCIAL REPORT

June 30, 2016

C O N T E N T S

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-11
 FINANCIAL STATEMENTS	
Statements of net position	12-13
Statements of revenues, expenses, and changes in net position	14
Statements of cash flows	15-16
Statements of financial position	17
Statements of activities	18-19
Statements of cash flows	20
Notes to financial statements	21-40
 REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary comparison schedule	42
Schedule of funding progress for the retiree health plan	43
Schedule of the Hospital's proportionate share of the net pension liability	44
Schedule of Hospital pension contributions	45-46
Notes to required supplementary information – pension liability	47
 INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	48
 SUPPLEMENTARY INFORMATION	
Age analysis of patient receivables	49
Analysis of allowance for uncollectible accounts	49
Inventories	50
Insurance coverage	51
Patient service revenue	52-53
Provision for contractual and other adjustments	54
Other revenue	54
Nursing service expenses	55
Other professional service expenses	56-57
General service expenses	58
Fiscal and administrative service and unassigned expenses	59
Comparative statistics	60
Schedule of expenditures of federal awards	61
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	62-63
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	64-65
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS	66-67

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
OFFICIALS
June 30, 2016**

Board of Trustees

William Young, Chairman
Ralph Klemme, Vice Chairman
Janelle Bixenman, Treasurer
Danna Schuster, Secretary
Craig Bauerly

Expiration of term

December, 2017
December, 2019
December, 2019
December, 2019
December, 2017

Administrator

Michael T. Donlin, FACHE

Director of Financial Services

Daryl J. Friedenbach



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
LeMars, Iowa

We have audited the accompanying financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, a component unit of the City of LeMars, Iowa, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents. We have also audited the accompanying financial statements of Floyd Valley Hospital Foundation, a component unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 25 to the financial statements, the Hospital adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and Floyd Valley Hospital Foundation, as of June 30, 2016 and 2015, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of funding progress for the retiree health plan, the schedule of the Hospital's proportionate share of the net pension liability and the schedule of Hospital pension contributions on pages 6-11, 42-47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 7, 2016

Floyd Valley Hospital d/b/a Floyd Valley Healthcare Management's Discussion and Analysis

As management of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, we offer readers of the Hospital's financial statements this narrative overview and analysis of the Hospital's financial performance during the fiscal years ended June 30, 2016, 2015 and 2014. Please read it in conjunction with the Hospital's financial statements, which follow this section.

Overview of the Financial Statements:

This annual report includes management's discussion and analysis report, the independent auditors report and the basic financial statements of the Hospital. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements:

The financial statements of the Hospital report information of the Hospital using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The statement of net position includes all of the Hospital's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Floyd Valley Hospital's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and the financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Hospital's operations over the past year and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights:

- Total assets increased by \$8.77 million from FY 2015 to \$50.87 million, primarily related to the increase in receivables and capital assets.
- The Hospital continued a significant hospital building addition and remodeling project during FY 2016 including a 46,000 square foot addition that will house a new physician clinic, business office as well as new surgical suites. As a part of this project an existing Medical Office Building was torn down to allow for additional parking. The remaining book value of this building was recorded as a loss on disposal of equipment.
- The capital building project is being financed through a USDA direct loan which secured construction financing. The USDA direct loan commitment is for \$15.75 million. The Hospital also committed to additional long term debt through a regional lender to finance the project. This loan commitment includes a 20-year amortization in the amount of \$5.25 million. Due to delays in the completion of the construction project, the construction financing was amended to allow for a completion date of November 2016 before final draw and amortization of loans.
- The Hospital Foundation continues to collect on pledges from a capital campaign of community donations to assist in the costs of the capital building project in the amount of \$2.6 million. As of fiscal year ending the Foundation has net pledges outstanding of \$934 thousand. Utilizing these pledges, the Hospital was able to obtain a loan commitment from a local lender to be repaid from the capital campaign pledges. This line of credit currently provides up to \$1.7 million of financing towards the project.

- Total net capital assets increased by \$7.1 million from FY 2015 primarily related to the building construction project underway.
- Net position increased by \$1.13 million from FY 2015.
- FY 2016 net patient service revenue increased by \$242 thousand, primarily due to a small increase in demand for services.
- FY 2016 expenses increased by \$1.4 million related to increased staffing and benefits costs.
- Total margin for FY 2016 was 3.2%, compared to 8.4% for FY 2015 and 4.8% for FY 2014.

Financial Analysis of the Hospital:

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Hospital and the changes in it. The Hospital's net position – the difference between assets and liabilities – are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

Net Position:

A summary of the Hospital's statements of net position at June 30, 2016, 2015, and 2014 are presented in Table 1 below:

Table 1
Condensed Statements of Net Position
(in thousands)

	June 30, 2016	June 30, 2015	June 30, 2014
Current and other assets	\$25,363	\$23,662	\$18,816
Capital assets	<u>\$26,980</u>	<u>\$19,843</u>	<u>\$15,691</u>
Total Assets	\$52,343	\$43,505	\$34,507
Long term liabilities	\$27,699	\$18,242	\$ 7,020
Other liabilities	<u>\$ 7,628</u>	<u>\$ 9,376</u>	<u>\$ 5,999</u>
Total Liabilities	\$35,327	\$27,618	\$13,019
Invested in Capital Assets	\$ 7,575	\$ 8,397	\$ 8,671
Restricted	\$ 95	\$ 91	\$ 100
Unrestricted	<u>\$ 9,346</u>	<u>\$ 7,399</u>	<u>\$12,717</u>
Total Net Position	\$17,016	\$15,887	\$21,488

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$8,573,993 to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal years 2013 and 2014 were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Revenues, Expenses, and Changes in Net Position:

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2016, 2015 and 2014.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position
(In Thousands)

	2016	2015	2014 (Not restated)
Total Revenue	\$35,558	\$35,219	\$34,001
Expenses	\$34,809	\$33,400	\$33,280
Operating Income	\$ 749	\$ 1,819	\$ 721
Non-Operating Gains (Losses)	\$ (742)	\$ 12	\$ (91)
Excess of Revenues over expenses before contributions	\$ 7	\$ 1,831	\$ 630
Contributions	\$ 1,122	\$ 1,142	\$ 993
Changes in Net position	\$ 1,129	\$ 2,973	\$ 1,623
Total Net position, Beginning	\$15,887	\$12,914	\$19,865
Total Net position, Ending	\$17,016	\$15,887	\$21,488

Operating and Financial Performance:

The following summarizes the Hospital's statements of revenue, expenses, and changes in net position between June 30, 2016, 2015 and 2014.

Volume: Inpatient discharges for fiscal year 2016 were 12% less than in 2015. Outpatient utilization was 2% less than the prior fiscal year within the Hospital. Swing bed discharges were 2% less than the prior year, while Home Health visits were 3% less than the prior year. The number of clinic visits at the Family Medical Clinic was 1% greater than the prior fiscal year.

Net Patient Service Revenue: Due to rate increases, and the changes in services described above, net patient revenues increased by \$242 thousand or 1% in comparison to fiscal year 2015.

Payor Mix: The payor mix of the patients served has an impact on the net revenues of the Hospital because of different contractual payment rates for various payor types. Generally as a Critical Access Hospital the Medicare and Medicaid reimbursement is made based on the cost of providing the services. Other commercial payor's rates are determined by contracts based on fee schedules or percentage of charges billed.

The following table presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2016, 2015 and 2014.

Table 3
Payor Mix by Percentage

	Year Ended June 30		
	2016	2015	2014
Medicare	41.2%	41.6%	41.7%
Wellmark Blue Cross	32.6%	31.9%	30.9%
Commercial	14.3%	15.3%	17.3%
Medicaid	10.1%	9.4%	7.8%
All others	1.8%	1.8%	2.3%

Other Revenue: Floyd Valley Hospital receives various revenues from non-patient related services, the largest of which is the revenues associated with the assisted living facility - Park Place Estates. Revenues associated with the assisted living facility were unchanged from the prior year. The current fiscal year was the fourth year of receiving federal reimbursement related to the installation of Electronic Medical Records computer system. Floyd Valley Hospital received \$9,676 of Meaningful Use revenues related to these certified EMR systems, down \$185,286 from the prior year.

Expenses: Nursing Services expenses were unchanged from the prior year.

Other professional services increased by 5% primarily due to salary and professional fee cost increases.

General Service expenses increased 7% primarily due to higher facility and supply costs for maintaining building and equipment.

All other fiscal and administrative service costs increased by 10% primarily related to employee benefit costs including payroll taxes, and IPERS fund changes.

Capital Assets:

At the end of fiscal year 2016, the Hospital has invested approximately \$27 million in capital assets as shown in Table 4.

Table 4
Capital Assets
(in thousands)

	June 30,		
	2016	2015	2014
Land & Land Improvements	\$ 1,037	\$ 1,081	\$ 1,058
Buildings	\$ 16,708	\$ 19,627	\$ 18,422
Major Moveable Equipment	\$ 8,456	\$ 8,307	\$ 8,195
Medical records	\$ 253	\$ 253	\$ 253
Construction/Equipment Installs in Progress	\$ 18,116	\$ 10,014	\$ 5,945
Subtotal	\$ 44,570	\$ 39,282	\$ 33,873
Less accumulated depreciation	\$ (17,590)	\$ (19,439)	\$ (18,182)
Capital assets, net	\$ 26,980	\$ 19,843	\$ 15,691

Debt Administration:

At the end of fiscal year 2016, the Hospital had \$19.4 million in debt related to Hospital Revenue Bonds. More detailed information regarding the Hospital's debt is presented in the Notes to the Financial Statements.

Deferred Outflows and Inflows of Resources

As of June 30, 2016, the Hospital reported \$1,469,956 of deferred outflows of resources and \$777,727 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

Performance Compared to Budget:

Net patient revenues were \$32.6 million which was 1% less than budget for fiscal year ended June 30, 2016.

Operating Expenses were \$34.8 million which was 3% less than budget expectations for the fiscal year ended June 30, 2016.

The non-operating gains of \$380 thousand fell short of budget by 58% as the disposal of the Medical Office Building and remaining book value resulted in a loss on disposal of assets.

The following table compares fiscal year 2016 actual to budget information.

Table 5
Budget vs. Actual
(in thousands)

	FY 2016 Actual	FY 2016 Budget	Dollar Variance	Percent Variance
Gross patient service revenue	\$51,252	\$52,782	\$(1,530)	(3)%
Contractual Adjustments & Bad Debt	\$18,607	\$19,719	\$(1,112)	(6)%
Net patient service revenue	\$32,645	\$33,063	\$(418)	(1)%
Other operating revenue	\$ 2,913	\$ 2,976	\$ (63)	(2)%
Total operating revenue	\$35,558	\$36,039	\$ (481)	(1)%
Operating Expenses	\$34,809	\$35,842	\$(1,033)	(3)%
Operating Gain/Loss	\$ 749	\$ 197	\$ 552	280%
Non-Operating Gains (Losses)	\$ 380	\$ 903	\$ (523)	(58)%
Excess of Revenues over Expenses	\$ 1,129	\$ 1,100	\$ 29	3%

Economic and Other Factors and Next Year's Budget:

The Hospital's board and management considered many factors when setting the fiscal year 2017 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payor's especially Wellmark Blue Cross, which is a significant payor
- Cost of supplies including escalating drug costs
- Workforce shortages especially among nursing and impact on salary costs
- Regulatory changes including healthcare reform
- Significant increase in long term debt related to capital investment and ability to service the annual debt from operations.
- Physician recruitment, especially family practice physicians
- Cost associated with maintaining information technology systems in the Hospital especially electronic medical record systems required by the Federal government.

Contacting Floyd Valley Hospital's Management

This financial report is designed to provide our customers, government officials and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional information, contact the Floyd Valley Hospital at (712) 546-7871 or write care of: Director of Financial Services, Floyd Valley Hospital, 714 Lincoln Street NE, Le Mars, Iowa 51031.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF NET POSITION

	June 30	
	2016	2015
CURRENT ASSETS		
Cash	\$ 8,661,500	\$ 9,065,105
Assets whose use is limited, required for current liabilities	14,928	9,408
Patient receivables, less allowance for contractual adjustments and uncollectible accounts		
2016 \$4,368,331; 2015 \$3,639,510	4,708,227	3,736,155
Other current receivables	79,215	124,032
Current portion of note receivable	88,750	48,334
Estimated third-party payor settlements	420,410	—
Inventories	420,271	416,528
Prepaid expenses	300,721	281,739
Total current assets	<u>14,694,022</u>	<u>13,681,301</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	272,736	475,836
Certificates of deposit	7,589,585	6,837,367
Accrued interest receivable	12,946	10,720
	<u>7,875,267</u>	<u>7,323,923</u>
Restricted for payment of revenue notes and interest		
Cash	1,337	812
	<u>1,337</u>	<u>812</u>
Restricted by donors for specific purpose		
Cash	93,841	90,399
Total assets whose use is limited	7,970,445	7,415,134
Less assets whose use is limited and that are required for current liabilities	14,928	9,408
Noncurrent assets whose use is limited	<u>7,955,517</u>	<u>7,405,726</u>
CAPITAL ASSETS	44,569,910	39,281,625
Less accumulated depreciation	17,590,288	19,438,598
Total capital assets	<u>26,979,622</u>	<u>19,843,027</u>
OTHER ASSETS		
Note receivable, net of current portion	154,167	38,750
Beneficial interest in remainder trust	941,000	937,000
Investment in Northwest Iowa Diagnostics	38,153	57,394
Investment in Floyd Valley Home Medical Equipment	110,297	137,041
Total other assets	<u>1,243,617</u>	<u>1,170,185</u>
Total assets	<u>50,872,778</u>	<u>42,100,239</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	<u>1,469,956</u>	<u>1,404,809</u>

See Notes to Financial Statements.

	June 30	
	2016	2015
CURRENT LIABILITIES		
Accounts payable		
Trade	\$ 4,304,819	\$ 3,505,287
Construction and equipment	995,185	1,089,414
Accrued employee compensation	1,278,577	1,543,642
Security deposits	20,100	19,000
Payroll taxes and amounts withheld from employees	236,174	209,319
Accrued interest	14,928	9,408
Estimated third-party payor settlements	—	352,318
Total current liabilities	<u>6,849,783</u>	<u>6,728,388</u>
LONG-TERM LIABILITIES		
Debt, less current maturities	19,404,309	11,445,889
Net pension liability	<u>8,294,597</u>	<u>6,796,303</u>
Total long-term liabilities	<u>27,698,906</u>	<u>18,242,192</u>
Total liabilities	<u>34,548,689</u>	<u>24,970,580</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>777,727</u>	<u>2,647,247</u>
Total deferred inflows of resources	<u>777,727</u>	<u>2,647,247</u>
NET POSITION		
Net investment in capital assets, net of related debt	7,575,313	8,397,138
Restricted	95,178	91,211
Unrestricted	<u>9,345,827</u>	<u>7,398,872</u>
Total net position	<u>\$17,016,318</u>	<u>\$15,887,221</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2016	2015
NET PATIENT SERVICE REVENUE , net of provisions for bad debts 2016 \$562,083; 2015 \$540,021	\$32,644,828	\$32,402,368
OTHER REVENUE	<u>2,913,658</u>	<u>2,816,460</u>
Total revenue	<u>35,558,486</u>	<u>35,218,828</u>
EXPENSES		
Nursing service	8,608,512	8,581,562
Other professional service	14,122,220	13,455,198
General service	1,881,160	1,754,392
Fiscal and administrative service and unassigned expenses	9,016,272	8,214,259
Provision for depreciation and amortization	<u>1,181,203</u>	<u>1,394,556</u>
Total expenses	<u>34,809,367</u>	<u>33,399,967</u>
Operating income	<u>749,119</u>	<u>1,818,861</u>
NONOPERATING GAINS (LOSSES)		
Interest income	59,403	49,828
Interest and amortization expense	(20,956)	(16,328)
Unrestricted contribution	650	1,200
Change in value of split-interest agreement	4,000	(62,000)
Equity in earnings of equity method investments	119,130	60,539
(Loss) on disposal of equipment	<u>(903,907)</u>	<u>(21,747)</u>
Total nonoperating gains (losses)	<u>(741,680)</u>	<u>11,492</u>
Excess of revenues over expenses before restricted contributions	7,439	1,830,353
RESTRICTED CONTRIBUTIONS	<u>1,121,658</u>	<u>1,142,487</u>
Change in net position	<u>1,129,097</u>	<u>2,972,840</u>
TOTAL NET POSITION		
Beginning	<u>15,887,221</u>	<u>12,914,381</u>
Ending	<u>\$17,016,318</u>	<u>\$15,887,221</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$30,900,028	\$32,727,319
Cash paid to employees for service	(17,835,345)	(16,441,803)
Cash paid to suppliers for goods and services	(15,866,428)	(15,761,393)
Other operating revenue received	<u>2,959,575</u>	<u>2,719,552</u>
Net cash provided by operating activities	<u>157,830</u>	<u>3,243,675</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted contributions received	<u>650</u>	<u>1,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(9,352,894)	(5,274,424)
Proceeds from sale of capital assets	21,524	—
Proceeds from issuance of long-term debt	7,958,420	4,462,271
Principal paid on long-term debt	—	(36,000)
Contributions restricted for capital assets, net	<u>1,121,658</u>	<u>1,142,487</u>
Net cash provided by (used in) capital and related financing activities	<u>(251,292)</u>	<u>294,334</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,580,270)	(6,083,792)
Proceeds from maturities of certificates of deposit	5,828,052	3,706,837
Distribution and proceeds from Floyd Valley Home Medical Equipment	167,579	9,000
Distribution from Northwest Iowa Diagnostics	17,536	17,535
Interest received	<u>57,177</u>	<u>42,268</u>
Net cash (used in) investing activities	<u>(509,926)</u>	<u>(2,308,152)</u>
NET INCREASE (DECREASE) IN CASH	(602,738)	1,231,057
CASH		
Beginning	<u>9,632,152</u>	<u>8,401,095</u>
Ending	<u>\$ 9,029,414</u>	<u>\$ 9,632,152</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2016	2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 749,119	\$1,818,861
Adjustments to reconcile operating income to net cash provided by operating activities		
Provision for depreciation and amortization	1,181,203	1,394,556
Forgive note receivable	94,167	71,250
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	(972,072)	174,384
Other current receivables	44,817	(90,808)
Inventories	(3,743)	26,774
Prepaid expenses	(18,982)	(34,793)
Note receivable	(250,000)	—
Estimated third-party payor settlements	(772,728)	150,567
Pension related deferred outflows	(65,147)	(403,434)
Accounts payable, net of amounts for capital assets	779,532	219,380
Accrued employee compensation	(265,065)	46,126
Security deposits	1,100	(6,100)
Payroll taxes and withholdings	26,855	8,730
Pension related deferred inflows	(1,869,520)	2,647,247
Net pension liability	<u>1,498,294</u>	<u>(2,779,065)</u>
Net cash provided by operating activities	<u>\$ 157,830</u>	<u>\$3,243,675</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$8,661,500	\$9,065,105
Assets whose use is limited		
Designated by board for plant replacement and expansion	272,736	475,836
Restricted for payment of revenue notes and interest	1,337	812
Restricted by donors for specific purpose	<u>93,841</u>	<u>90,399</u>
Total per statements of cash flows	<u>\$9,029,414</u>	<u>\$9,632,152</u>
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Increase (decrease) in beneficial interest in remainder trust	<u>\$ 4,000</u>	<u>\$ (62,000)</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF FINANCIAL POSITION

	June 30	
ASSETS	2016	2015
Interest in the net assets of Avera Health Investment Pool	\$ 335,098	\$ 559,898
Contributions receivable	<u>719,428</u>	<u>808,281</u>
TOTAL ASSETS	<u>\$1,054,526</u>	<u>\$1,368,179</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ <u>626</u>	\$ <u>353</u>
NET ASSETS		
Unrestricted		
Designated by Board for endowment	67,233	68,142
Undesignated	164,778	203,246
Temporarily restricted	808,412	1,082,961
Permanently restricted	<u>13,477</u>	<u>13,477</u>
Total net assets	<u>1,053,900</u>	<u>1,367,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,054,526</u>	<u>\$1,368,179</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 5,222	\$ 166,770	\$ —	\$ 171,992
Special event	42,348	21,637	—	63,985
Investment gain (loss)	(5,137)	(18,601)	—	(23,738)
	<u>42,433</u>	<u>169,806</u>	<u>—</u>	<u>212,239</u>
Net assets released from restrictions				
Satisfaction of purpose	444,355	(444,355)	—	—
Total revenue and support	<u>486,788</u>	<u>(274,549)</u>	<u>—</u>	<u>212,239</u>
EXPENSES				
Program services				
Floyd Valley Hospital Employee Assistance	4,025	—	—	4,025
Capital Campaign	400,437	—	—	400,437
Pediatrics, cost of direct benefit to donors	31,194	—	—	31,194
Health education	—	—	—	—
Caring for life, cost of direct benefit to donors	80,067	—	—	80,067
Therapy services	—	—	—	—
Cancer services	26	—	—	26
Musson Scholarships	—	—	—	—
Total program services	<u>515,749</u>	<u>—</u>	<u>—</u>	<u>515,749</u>
Supporting service				
Administrative services	10,416	—	—	10,416
Total expenses	<u>526,165</u>	<u>—</u>	<u>—</u>	<u>526,165</u>
CHANGE IN NET ASSETS	(39,377)	(274,549)	—	(313,926)
NET ASSETS , beginning of year	<u>271,388</u>	<u>1,082,961</u>	<u>13,477</u>	<u>1,367,826</u>
NET ASSETS , end of year	<u>\$ 232,011</u>	<u>\$ 808,412</u>	<u>\$ 13,477</u>	<u>\$1,053,900</u>

See Notes to Financial Statements.

Year ended June 30, 2015			
Unrestricted	Temporarily restricted	Permanently restricted	Total
\$ 1,417	\$ 51,181	\$ —	\$ 52,598
61,997	38,552	—	100,549
1,103	20,062	—	21,165
<u>64,517</u>	<u>109,795</u>	<u>—</u>	<u>174,312</u>
 480,288	 (480,288)	 —	 —
<u>544,805</u>	<u>(370,493)</u>	<u>—</u>	<u>174,312</u>
 4,513	 —	 —	 4,513
442,520	—	—	442,520
27,834	—	—	27,834
376	—	—	376
25,419	—	—	25,419
101	—	—	101
—	—	—	—
500	—	—	500
<u>501,263</u>	<u>—</u>	<u>—</u>	<u>501,263</u>
 6,493	 —	 —	 6,493
<u>507,756</u>	<u>—</u>	<u>—</u>	<u>507,756</u>
 37,049	 (370,493)	 —	 (333,444)
<u>234,339</u>	<u>1,453,454</u>	<u>13,477</u>	<u>1,701,270</u>
\$ <u>271,388</u>	\$ <u>1,082,961</u>	\$ <u>13,477</u>	\$ <u>1,367,826</u>

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (313,926)	\$ (333,444)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Contributions receivable	88,853	544,737
Accounts payable	<u>273</u>	<u>19</u>
Net cash provided by (used in) operating activities	<u>(224,800)</u>	<u>211,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase/redemption of the interest in the net assets of Avera Health Foundation	<u>224,800</u>	<u>(211,312)</u>
Net cash provided by (used in) investing activities	<u>224,800</u>	<u>(211,312)</u>
NET CHANGE IN CASH	—	—
CASH		
Beginning	<u>—</u>	<u>—</u>
Ending	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

See Notes to Financial Statements.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is the municipal hospital of the City of Le Mars, Iowa, organized under Chapter 392, Code of Iowa and as such is not subject to taxes on income or property. The Hospital grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Floyd Valley Hospital d/b/a Floyd Valley Healthcare has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Floyd Valley Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-20.

The Hospital is includable as a component unit within the City of Le Mars, Iowa reporting entity due to fiscal dependence.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

Accounting Standards

The Hospital has elected to apply all applicable Governmental Accounting Standards Board pronouncements.

Floyd Valley Hospital Foundation's financial statement presentation follows the recommendations of the Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification*. Under Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification*, the Foundation is required to report information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those assets which are neither temporarily or permanently restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of Foundation operations.

Temporarily restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation pursuant to those stipulations. As donor-imposed stipulations expire, temporarily restricted net assets are reclassified as unrestricted net assets.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards (continued)

Permanently restricted net assets represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Unconditional contributions receivable are recorded as receivables and revenues in the year received.

Investments and Investment Income

The Hospital's investments are nonnegotiable certificates of deposit and are reported at cost.

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

Investment income is reported as nonoperating gains.

Assets held by Avera Health Investment Pool by the Floyd Valley Hospital Foundation with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges.

The Foundation participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Certain alternative investments held within Avera Pooled Investment Fund include liquidity and redemption limitations. Alternative investments representing less than 3% ownership interest are carried at cost. Alternative investments representing greater than 3% ownership interest are recorded using the equity method. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund. (See Note 20)

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Capital Assets

Capital assets acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Depreciation is computed using these asset lives:

Land improvements	10 to 20 years
Buildings and fixed equipment	5 to 40 years
Major movable equipment	1 to 20 years
Medical records	5 years

Interest

Interest costs related to construction debt are capitalized and included with costs of the project.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of unamortized items related to the Hospital's pension plan.

Net Position

Net position is presented in the following three components:

Invested in capital assets, net of related debt

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the notes payable that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Restricted net position consists of funds restricted on which constraints have been externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments.

Unrestricted net position

Unrestricted net position has no externally imposed restrictions on use.

When both restricted and unrestricted net position are available for use, generally it is the Hospital's policy to use restricted net position first.

Statements of Revenue, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Costs of Borrowing

Costs of borrowing are expensed in the year incurred.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Contributions Receivable

Unconditional contributions receivable are recorded as receivables and revenue in the year received.

Electronic Health Record Incentive Payments

The Hospital has received payments from the Medicare and Medicaid programs under the Electronic Health Records (EHR) Incentive Program. To qualify for EHR incentive payments, the Hospital must meet designated EHR meaningful use criteria. These incentive payments are reported in other revenue in the financial statements.

Fair Value Measurements of Foundation Interest in Avera Health Investment Pool

The Foundation, based on information received from Avera Pooled Investment Fund, has determined the fair value of its interest in accordance with the provisions of The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which provides a framework for measuring fair value under generally accepted accounting principles.

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Foundation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for years prior to 2012.

Subsequent Events

The Foundation has evaluated subsequent events through October 7, 2016, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended during a current budget year or within fifteen months of receipt) to instruments that mature within 397 days. Fund not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the Hospital.

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	June 30	
	2016	2015
Receivable from patients	\$2,918,722	\$2,607,166
Receivable from insurance carriers	2,784,356	2,518,197
Receivable from Medicare	2,596,210	1,890,854
Receivable from Medicaid	<u>777,270</u>	<u>359,448</u>
Total patient receivables	9,076,558	7,375,665
Less allowances for contractual and other adjustments	<u>(4,368,331)</u>	<u>(3,639,510)</u>
Totals	<u>\$4,708,227</u>	<u>\$3,736,155</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 4 NOTES RECEIVABLE

The Hospital has entered into agreements with several physicians, with amounts to be forgiven over specified periods.

Notes receivable at June 30, 2016, are expected to be received as follows:

Year ending June 30,	
2017	\$ 88,750
2018	50,000
2019	50,000
2020	50,000
2021	<u>4,167</u>
Total	<u>\$ 242,917</u>

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 and 2015 follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2016</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	895,495	—	(43,573)	—	851,922
Buildings and fixed equipment	19,627,108	8,425	(3,031,928)	104,277	16,707,882
Major movable equipment	8,307,049	240,353	(879,444)	788,326	8,456,284
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>10,014,180</u>	<u>8,999,049</u>	<u>(4,597)</u>	<u>(892,603)</u>	<u>18,116,029</u>
Totals	39,281,625	9,247,827	(3,959,542)	—	44,569,910
Less accumulated depreciation and amortization	<u>(19,438,598)</u>	<u>(1,181,203)</u>	<u>3,029,513</u>	<u>—</u>	<u>(17,590,288)</u>
Net capital assets	<u>\$19,843,027</u>	<u>\$8,066,624</u>	<u>\$ (930,029)</u>	<u>\$ —</u>	<u>\$26,979,622</u>

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2015</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	873,519	—	—	21,976	895,495
Buildings and fixed equipment	18,422,074	101,879	(72,295)	1,175,450	19,627,108
Major movable equipment	8,194,947	97,172	(97,230)	112,160	8,307,049
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>5,945,151</u>	<u>5,379,348</u>	<u>(733)</u>	<u>(1,309,586)</u>	<u>10,014,180</u>
Totals	33,873,484	5,578,399	(170,258)	—	39,281,625
Less accumulated depreciation and amortization	<u>(18,182,934)</u>	<u>(1,394,556)</u>	<u>138,892</u>	<u>—</u>	<u>(19,438,598)</u>
Net capital assets	<u>\$15,690,550</u>	<u>\$4,183,843</u>	<u>\$ (31,366)</u>	<u>\$ —</u>	<u>\$19,843,027</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (continued)

Construction in progress at June 30, 2016 consists of costs incurred related to an addition to the current hospital and remodeling of hospital space. Total cost of the project is estimated at approximately \$27,000,000. The project is to be funded by current funds of the Hospital, funds from the Foundation's capital campaign and the acquisition of long-term debt (See Note 10). Equipment installations in progress consists of costs related to a nurse call system, a sterilizer and operating room department renovations.

NOTE 6 LAND AND BUILDINGS LEASED TO OTHERS

The Hospital leases space in various medical office buildings. The leases call for monthly rentals of \$2,109. The leases expire at various times through October 2018 with various provisions for renewal options. The Hospital is responsible for all property taxes, utilities, and housekeeping.

Other revenue for the years ended June 30, 2016 and 2015 includes gross rental income of \$45,572 and \$19,733, respectively, for these leases.

Future minimum rentals to be received under these leases are as follows:

Year ending June 30

2017	\$ 25,308
2018	25,308
2019	<u>8,436</u>
Total	<u>\$ 59,052</u>

NOTE 7 ASSETS RESTRICTED FOR PAYMENT OF REVENUE NOTES AND INTEREST

Assets restricted for payment of revenue notes and interest were required to be funded by the note resolution. The related debt was paid during the year ended June 30, 2014 (Note 10). Following are the changes in these assets for the years ended June 30, 2016 and 2015.

	<u>Reserve Fund</u>	<u>Sinking Fund</u>
Balance, June 30, 2014	\$ —	\$ 1,249
Other expense	<u>—</u>	<u>(437)</u>
Balance, June 30, 2015	—	812
Other income	<u>—</u>	<u>525</u>
Balance, June 30, 2016	<u>\$ —</u>	<u>\$ 1,337</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 8 INVESTMENT IN NORTHWEST IOWA DIAGNOSTICS

The Hospital has a 44% investment interest in Northwest Iowa Diagnostics, an entity engaged in providing ultrasound technology staffing services. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income (loss) of \$(1,705) and \$17,068 for the years ended June 30, 2016 and 2015, respectively.

Northwest Iowa Diagnostics is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Northwest Iowa Diagnostics. During the years ended June 30, 2016 and 2015, the Hospital received \$206,492 and \$191,922, respectively, in lease revenue from Northwest Iowa Diagnostics related to this agreement. The Hospital paid \$212,205 and \$192,120 to Northwest Iowa Diagnostics for ultrasound services rendered to the Hospital during the years ended June 30, 2016 and 2015, respectively. Separate financial statements of the entity can be obtained by contacting the Hospital's Director of Financial Services.

NOTE 9 INVESTMENT IN FLOYD VALLEY HOME MEDICAL EQUIPMENT

The Hospital has a 50% investment interest in Floyd Valley Home Medical Equipment, an entity engaged in the sale and implementation of medical equipment for home use. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income of \$17,756 and \$43,471 for the years ended June 30, 2016 and 2015, respectively.

Floyd Valley Home Medical Equipment is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Floyd Valley Home Medical Equipment as well as office space in the Hospital's facility. During the years ended June 30, 2016 and 2015, the Hospital received \$99,025 and \$116,015, respectively, in lease revenue from Floyd Valley Home Medical Equipment related to this agreement.

NOTE 10 LONG-TERM DEBT

Hospital Revenue Bonds, Series 2013A, 2013B and 2013C

The City of Le Mars, Iowa entered into loan agreements for the purpose of providing funds to the Hospital to finance improvements to expand and remodel portions of the Hospital's existing facilities and to refund the Series 2002 notes. The loan agreements will not constitute general obligations of the City, nor will they be payable in any manner by taxation, but will be payable solely and only from the net revenues of the Hospital. The loan agreements provide for the following:

Outstanding June 30	
2016	2015

- | | | |
|---|--------------|--------------|
| <ul style="list-style-type: none"> Series 2013A Hospital Revenue Bond in the total amount of \$15,750,000. The funds are to be used to pay a portion of the project costs. Advances are to be made periodically to the final advance date. Interest only payments at 2.1% are to be made from December 18, 2013 to the final advance date. All principal and interest is due November 18, 2016, and will be paid by the proceeds of a United States Department of Agriculture Direct Loan. | \$15,472,737 | \$ 7,629,318 |
| <ul style="list-style-type: none"> Series 2013B Hospital Revenue Bond in the total amount of \$5,250,000. The funds are to be used to pay a portion of the project costs and to refund the Series 2002 notes. Advances are to be made periodically to the final advance date. Interest only payments at an initial rate of 2.95% commence December 18, 2013 to November 18, 2016. The interest rate will be adjusted periodically throughout the term of the agreement. | 3,881,571 | 3,766,570 |

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 10 LONG-TERM DEBT (continued)

	<u>Outstanding June 30</u>	
	<u>2016</u>	<u>2015</u>
Hospital Revenue Bonds, Series 2013A, 2013B and 2013C (continued)		
<ul style="list-style-type: none"> Series 2013C Hospital Revenue Bond in the total amount of \$4,600,000. The funds are to be used to pay a portion of the project costs. Advances are to be made periodically to the final advance date. Interest only payments are to be made quarterly at 3.5% commencing March 31, 2014. 	50,001	50,001
Totals	19,404,309	11,445,889
Less current maturities	—	—
Total long-term debt	<u>\$19,404,309</u>	<u>\$11,445,889</u>

Maturities on the Series 2013A, 2013B and 2013C Hospital Revenue Bonds will be determined at the final advance date for each issue. The Revenue Bond resolutions require, among other things, the maintenance of a debt service reserve fund and a sinking fund which will be maintained.

Long-term debt activity for the years ended June 30, 2016 and 2015 follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2016					
Hospital revenue bonds – Series 2013	\$11,445,889	\$7,958,420	\$ —	\$19,404,309	\$ —
2015					
Hospital revenue bonds – Series 2013	\$6,983,618	\$4,462,271	\$ —	\$11,445,889	\$ —
Rural economic development note	36,000	—	36,000	—	—
Totals	<u>\$7,019,618</u>	<u>\$4,462,271</u>	<u>\$ 36,000</u>	<u>\$11,445,889</u>	<u>\$ —</u>

NOTE 11 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Charges foregone, based on established rates	<u>\$ 219,287</u>	<u>\$ 188,279</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>.4%</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Hospital, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Hospital contributed 8.93 percent for a total rate of 14.88 percent.

The Hospital's contributions to IPERS for the years ended June 30, 2016 and 2015 were \$1,116,264 and \$1,031,010, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the Hospital reported a liability of \$8,294,597 and \$6,796,303, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	Measurement Date		
	June 30		
	2015	2014	Change
Hospital's proportionate share	.167890%	.171368%	(.003478)%

For the years ended June 30, 2016 and 2015, the Hospital recognized pension expense of \$646,089 and \$495,758, respectively. At June 30, 2016 and 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2016	2015	2016	2015
Difference between expected and actual experience	\$ 125,321	\$ 73,863	\$ —	\$ —
Change in assumptions	228,371	299,936	—	—
Net difference between projected and actual earnings on pension plan investments	—	—	690,328	2,591,914
Change in proportion and difference between Health Center contributions and proportionate share of contributions	—	—	87,399	55,333
Hospital contributions subsequent to the measurement date	<u>1,116,264</u>	<u>1,031,010</u>	<u>—</u>	<u>—</u>
Totals	<u>\$1,469,956</u>	<u>\$1,404,809</u>	<u>\$ 777,727</u>	<u>\$2,647,247</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

\$1,116,264 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>
2017	\$ (254,031)
2018	(254,031)
2019	(254,031)
2020	336,588
2021	<u>1,470</u>
Totals	<u>\$ (424,035)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00 percent
Salary increases	4.00 to 17.00 percent, average, including inflation
Investment rate of return	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table with adjustments for mortality improvements based on Scale AA.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	24%	6.29
Non US Equity	16	6.75
Private Equity	11	11.32
Real Estate	8	3.48
Core Plus Fixed Income	28	2.04
Credit Opportunities	5	3.63
TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Hospital's proportionate share of the net pension liability	<u>\$14,522,347</u>	<u>\$8,294,597</u>	<u>\$3,037,929</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

Payables to the Pension Plan

At June 30, 2016 and 2015, the Hospital reported payables to the defined benefit pension plan of approximately \$126,000 and \$78,000, respectively, for legally required employer contributions and approximately \$84,000 and \$52,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 13 EMPLOYEE BENEFITS

The Hospital has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$75,000 per person and approximately \$3,151,000 in the aggregate. Expense under this self-insurance program for the years ended June 30, 2016 and 2015 was \$3,076,971 and \$2,642,908, respectively, which includes program administration expenses.

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Hospital operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses and dependents. There are 268 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an Other Post Employment Benefit, OPEB, liability. The contribution requirements of plan members are established and may be amended by the Hospital. The Hospital currently finances the retiree benefit plan on a pay-as-you-go basis.

The Hospital's annual OPEB cost is calculated based on the annual required contribution, ARC, of the Hospital, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for June 30, 2016, the amount actually contributed to the plan and changes in the Hospital's net OPEB obligation:

Annual required contribution, ARC	\$ 6,981
Interest on net OPEB obligation	(491)
Adjustment to annual required contribution	<u>639</u>
Annual OPEB cost	7,129
Contributions made	<u>-</u>
Increase in net OPEB obligation	7,129
Net OPEB obligation, beginning of year	<u>(2,697)</u>
Net OPEB obligation, end of year	<u>\$ 4,432</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

For the year ended June 30, 2016, the Hospital contributed \$-0- to the plan. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, 2015 and 2014 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2014	\$ <u>5,700</u>	<u>0%</u>	\$ <u>(9,826)</u>
June 30, 2015	\$ <u>7,129</u>	<u>0%</u>	\$ <u>(2,697)</u>
June 30, 2016	\$ <u>7,129</u>	<u>0%</u>	\$ <u>4,432</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$48,900 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$48,900. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,767,000, and the ratio of the UAAL to the covered payroll was .4%. As of June 30, 2016, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the Hospital's funding policy. The annual medical trend rate is 5%.

Mortality rates are from the RP2014 Mortality Tables with Scale MP-2014. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the medical plan are approximately \$1,308 per month for retirees. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 15 CONTINGENCIES

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 15 CONTINGENCIES (continued)

Incidents occurring through June 30, 2016 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 16 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services to Medicare and Medicaid beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. Beginning April 1, 2016, the Iowa Medicaid Program has transitioned management of the program to three managed care organizations. As a result, the Health Center will continue to be reimbursed using a cost based methodology, however Medicaid reimbursement will no longer be subject to a final settlement based on actual costs incurred. The Health Center will annually negotiate Medicaid payment rates with the managed care organizations based on annual Medicare and Medicaid cost reporting. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2014.

Other

The Hospital has payment agreements with Wellmark, other commercial insurance carriers and health maintenance organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 17 HOSPITAL RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 18 SPLIT INTEREST AGREEMENT

The Hospital is a party of a split-interest agreement. The Hospital reports separately the fair value of the assets of the split-interest agreement in its balance sheet and a change in value of \$4,000 and \$(62,000) for the years ended June 30, 2016 and 2015, respectively, from the split-interest agreement in its statements of revenues, expenses and changes in net position.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 18 SPLIT INTEREST AGREEMENT (continued)

Charitable remainder unitrust are arrangements between a donor, who establishes the trust, and the Hospital as beneficiary. The donor contributed assets to the trust in exchange for a promise from the trust to pay the donor the lesser of a fixed percentage amount of 5% of net fair value of the assets of the trust or trust income, for the life of the donor. Assets received have been recognized at fair value. Unrestricted contribution revenue is recognized at the same value because trust income and expense are expected to be the same. To calculate the present value of the charitable remainder unitrust, the 2003 life expectancy tables (published by the National Center of Health Statistics) and a 6% discount rate were used.

NOTE 19 FLOYD VALLEY HOSPITAL FOUNDATION

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Floyd Valley Hospital Foundation is a component unit of the Hospital. The Floyd Valley Hospital Foundation was established to raise funds to support the operations and other activities of the Floyd Valley Hospital. And as such, the Foundation is considered to be a component unit of the Hospital based on the related benefits to the Hospital. The Foundation's audited statement of financial position as of June 30, 2016 and 2015, and audited statements of activities and cash flows for the year then ended, are included on pages 17-20.

NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION

The Floyd Valley Hospital Foundation (FVHF) has transferred assets to the Avera Health (AH) to be part of a common investment fund, Avera Health Pooled Investments (AHPI).

Amounts reported in the statement of financial position of FVHF as interest in the net assets of AHPI represents the net cumulative transfers by FVHF to AHPI as well as earnings net of disbursements. Distributions may be requested from time to time from the investment fund to meet the requirements FVHF has established for its charitable, educational or scientific purposes. Generally, FVHF can request payment for all or any part of its funds upon thirty day notice to AH.

The assets transferred to AHPI are invested in a pooled investment fund at the direction of AHPI Committee. The objective of the fund is optimum total return consistent with a high degree of liquidity and reasonable safety of principal. Avera Health Pooled Investments includes investments in securities that are measured at fair value using inputs under the guidance provided by The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*. Avera Health Pooled Investments also includes investments that are recorded at historic cost, subject to an annual impairment test, or under the equity method as described in the investment policy.

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This ASU amends the fair value accounting rules to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. For non-public entities, like the Foundation, the amendments in this ASU are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years and permits early adoption. The Foundation has elected to early adopt the provisions of this ASU and has retroactively presented 2015.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION (continued)

The investment allocations at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Non-publicly traded stocks, trusts, and partnerships (alternative investments)	18.5%	16.4%
US Treasury and Agency obligations	1.9%	2.5%
Foreign stocks and other	5.3%	5.9%
Publicly traded equity securities	8.8%	7.9%
Cash and short-term investments	6.6%	5.5%
Corporate bonds	9.5%	7.8%
Publicly traded mutual funds	<u>49.4%</u>	<u>54.9%</u>
	<u>100.0%</u>	<u>100.0%</u>

Investment income, realized and unrealized gains and losses, of the investment pool are allocated to the FVHF based on the pooled assets value. Allocation of investment income is as follows for the year ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest, dividends and net realized gains and losses	\$ 9,710	\$ 23,333
Net unrealized gains	<u>(33,448)</u>	<u>(2,168)</u>
Investment income, net	<u>\$ (23,738)</u>	<u>\$ 21,165</u>

NOTE 21 FLOYD VALLEY HOSPITAL FOUNDATION NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Medical records equipment	\$ 1,389	\$ 1,390
Capital campaign	723,670	994,429
Pediatric equipment	39,281	50,138
Employee assistance	37,090	29,940
EMS training scholarship	2,274	2,274
Endowment	1,947	2,029
Park Place Estates	<u>2,761</u>	<u>2,761</u>
	<u>\$ 808,412</u>	<u>\$1,082,961</u>

Permanently restricted net assets are available to provide support for the EMS training scholarship and total \$13,477 at June 30, 2016 and 2015.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 22 ENDOWMENT

The Foundation's endowment funds consist of Board designated assets, temporarily restricted net assets which are available for a variety of purposes and permanently restricted net assets which provide that the principal be invested in perpetuity and the income only be used. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted the practice of preserving the fair value of the original gift as of the gift date of the permanently restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Use of the investment income from the assets may be unrestricted and used as the Foundation deems necessary for the purposes for which the original restricted gift was received. Currently, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016 and 2015 the Foundation did not have a deficiency in donor-restricted funds.

Year ended June 30, 2016				
Endowment Funds				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 68,142	\$1,082,961	\$ 13,477	\$1,164,580
Investment return				
Investment income (loss)	(417)	(18,601)	—	(19,018)
Contributions and special events	—	188,407	—	188,407
Appropriation of endowment assets for expenditure	(492)	(444,355)	—	(444,847)
Endowment assets, end of year	<u>\$ 67,233</u>	<u>\$ 808,412</u>	<u>\$ 13,477</u>	<u>\$ 889,122</u>

Year ended June 30, 2015				
Endowment Funds				
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 69,688	\$1,453,454	\$ 13,477	\$1,536,619
Investment return				
Investment income (loss)	(1,030)	20,062	—	19,032
Contributions and special events	—	89,733	—	89,733
Appropriation of endowment assets for expenditure	(516)	(480,288)	—	(480,804)
Endowment assets, end of year	<u>\$ 68,142</u>	<u>\$1,082,961</u>	<u>\$ 13,477</u>	<u>\$1,164,580</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 23 CONTRIBUTIONS RECEIVABLE

As of June 30, 2016 and 2015, the Foundation's contributions receivable consists of promises to give to assist in funding the Hospital's expansion and renovation project. The Foundation has not recorded an allowance for uncollectible receivables as of June 30, 2016 as it is estimated that all amounts will be collected.

A summary of activity for the years ended June 30, 2016 and 2015 is as follows:

	June 30	
	2016	2015
Contributions receivable, beginning of year	\$ 808,281	\$1,353,018
Contributions made during the year	155,745	59,428
Payments received	(29,755)	(232,679)
Discount on receivables (7% - 2016; 8% - 2015)	<u>(214,843)</u>	<u>(371,486)</u>
Contributions receivable, end of year	<u>\$ 719,428</u>	<u>\$ 808,281</u>

As of June 30, 2016, the pledges are expected to be received in the following periods:

In one year or less	\$ 183,227
Between one and five years	540,227
More than five years	210,817
Less discount	<u>(214,843)</u>
Total	<u>\$ 719,428</u>

NOTE 24 ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Hospital has met the EHR meaningful use criteria and has received payments from the Medicare and Medicaid programs. Payments received and included in other revenue total \$9,676 and \$194,962 for the years ended June 30, 2016 and 2015, respectively.

NOTE 25 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net position</u>
Net position June 30, 2014, as previously reported	\$21,488,374
Net pension liability at June 30, 2014	(9,575,368)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>1,001,375</u>
Net position July 1, 2014, as restated	<u>\$12,914,381</u>

REQUIRED SUPPLEMENTARY INFORMATION

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
Budgetary Comparison Schedule
Year ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. The Hospital annually adopts a budget and presents it to the City Council for inclusion in the City's annual budget, which is adopted following required public notice and hearings for all funds. The City's annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP basis is that interest expense, property and equipment additions, and debt service principal amounts are included in operating expenditures on the budget basis.

The following is a comparison of reported expenses to budget:

	<u>Operating expenses (GAAP basis)</u>	<u>Budget basis adjustment</u>	<u>Budget basis</u>	<u>Budgeted Amounts</u>		<u>Final to actual budget variance</u>
				<u>Original</u>	<u>Amended</u>	
Year ended June 30, 2016 totals	<u>\$34,809,367</u>	<u>\$8,066,624</u>	<u>\$42,875,991</u>	<u>\$48,550,000</u>	<u>\$ —</u>	<u>\$(5,674,009)</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information

Fiscal year ended	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b - a)/c)
2013	June 30, 2012	\$ <u>—</u>	\$ <u>38</u>	\$ <u>38</u>	<u>0.0%</u>	\$ <u>10,004</u>	<u>.4%</u>
2014	June 30, 2012	\$ <u>—</u>	\$ <u>38</u>	\$ <u>38</u>	<u>0.0%</u>	\$ <u>11,417</u>	<u>.3%</u>
2015	June 30, 2014	\$ <u>—</u>	\$ <u>49</u>	\$ <u>49</u>	<u>0.0%</u>	\$ <u>11,767</u>	<u>.4%</u>
2016	June 30, 2014	\$ <u>—</u>	\$ <u>49</u>	\$ <u>49</u>	<u>0.0%</u>	\$ <u>11,767</u>	<u>.4%</u>

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30	
	2016	2015
Hospital's proportion of the net pension liability	.167890%	.171368%
Hospital's proportionate share of the net pension liability	\$8,295	\$6,796
Hospital's total payroll	\$12,500	\$11,767
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	66%	58%
Plan fiduciary net position as a percentage of the total pension liability	85%	88%

See accompanying notes to required supplementary information - pension liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 1,116	\$ 1,031	\$ 1,004	\$ 953
Contributions in relation to the statutorily required contribution	<u>1,116</u>	<u>1,031</u>	<u>1,004</u>	<u>953</u>
Contribution deficiency (excess)	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
Hospital's total payroll	\$12,500	\$11,767	\$11,417	\$11,242
Contributions as a percentage of total payroll	8.9%	8.8%	8.8%	8.5%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 854	\$ 695	\$ 646	\$ 512	\$ 462	\$ 409
<u>854</u>	<u>695</u>	<u>646</u>	<u>512</u>	<u>462</u>	<u>409</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$10,747	\$10,203	\$9,958	\$8,232	\$7,763	\$7,278
8.0%	6.8%	6.5%	6.2%	6.0%	5.6%

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2016

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare as of and for the years ended June 30, 2016 and 2015, and our report thereon dated October 7, 2016, which appears on pages 4 and 5, contains an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", and the schedule of expenditures of federal awards was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 7, 2016

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
AGE ANALYSIS OF PATIENT RECEIVABLES**

Age of accounts (by date of discharge)	Amounts		Percent to total	
	June 30		June 30	
	2016	2015	2016	2015
0 - 60 days	\$4,999,091	\$4,153,617	55.08%	56.31%
61 - 90 days	750,413	475,512	8.27	6.45
91 - 180 days	1,318,914	876,950	14.53	11.89
Over 6 months	<u>2,008,140</u>	<u>1,869,586</u>	<u>22.12</u>	<u>25.35</u>
Totals	<u>9,076,558</u>	<u>7,375,665</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Uncollectible accounts	1,431,797	1,449,643		
Contractual allowances	<u>2,936,534</u>	<u>2,189,867</u>		
Total allowances	<u>4,368,331</u>	<u>3,639,510</u>		
Totals	<u>\$4,708,227</u>	<u>\$3,736,155</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

	Year ended June 30	
	2016	2015
BALANCE , beginning	\$1,449,643	\$1,526,391
ADD		
Provision for bad debts	562,083	540,021
Recoveries of accounts previously written off	179,787	230,307
LESS		
Accounts written off	<u>(759,716)</u>	<u>(847,076)</u>
BALANCE , ending	<u>\$1,431,797</u>	<u>\$1,449,643</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INVENTORIES

		June 30	
		<u>2016</u>	<u>2015</u>
General stores		\$ 153,091	\$ 151,137
Pharmacy		190,441	190,417
Operating room		71,530	71,469
Intravenous solutions		<u>5,209</u>	<u>3,505</u>
Totals		<u>\$ 420,271</u>	<u>\$ 416,528</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INSURANCE COVERAGE**

Avera (policy expiration December 31, 2016)

Professional liability	\$1,000,000/3,000,000
General liability	\$1,000,000/3,000,000
Employee benefits liability	\$1,000,000/3,000,000
	\$1,000 deductible

Umbrella/shared limit	\$35,000,000
-----------------------	--------------

Automobiles

Liability	\$1,000,000
Collision	\$500 deductible
Uninsured/under insured motorist	\$1,000,000
Medical payments	\$5,000

Directors' and officers' liability	\$5,000,000/\$15,000,000
	\$50,000 deductible

Employee dishonesty liability	\$1,500,000
	\$25,000 deductible

Employed physician's liability	\$1,000,000/3,000,000
--------------------------------	-----------------------

Commercial property

Real property	\$31,970,525
Personal property	\$12,636,394
Earnings and extra expense	\$27,283,419
	\$10,000 deductible

Network Security

Shared limit	\$10,000,000
Retention	\$250,000

Farm Bureau (policy expiration November 1, 2016)

Workers' compensation	Statutory
-----------------------	-----------

The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PATIENT SERVICE REVENUE

	Total	
	Year ended June 30	
	2016	2015
DAILY PATIENT SERVICES		
Medical, surgical and obstetric	\$ 3,111,480	\$ 3,225,660
Long term care	433,882	399,135
Nursery	119,584	130,525
	<u>3,664,946</u>	<u>3,755,320</u>
OTHER NURSING SERVICES		
Operating and recovery rooms	6,160,836	6,615,886
Delivery and labor room	252,806	312,450
Central service and supply	1,864,755	2,208,869
Emergency service	6,791,433	7,040,522
Home health services	1,346,276	1,346,877
	<u>16,416,106</u>	<u>17,524,604</u>
OTHER PROFESSIONAL SERVICES		
Laboratory	8,192,760	8,141,730
Electrocardiology	1,172,020	1,187,198
Radiology	7,559,722	7,927,385
Pharmacy	2,815,653	2,632,142
Anesthesiology	1,696,098	1,718,399
Respiratory therapy	306,665	370,552
Physical therapy	1,719,288	1,761,231
Occupational therapy	383,395	335,568
Speech therapy	491,131	572,144
Enterostomy	515,747	533,294
Audiology	1,365	1,590
Clinics	6,343,220	5,828,687
Cardiac rehabilitation	193,040	160,170
	<u>31,390,104</u>	<u>31,170,090</u>
	51,471,156	52,450,014
Charity care charges foregone, based on established rates	<u>(219,287)</u>	<u>(188,279)</u>
Total gross patient service revenue	51,251,869	52,261,735
Provisions for contractual and other adjustments	<u>(18,607,041)</u>	<u>(19,859,367)</u>
Net patient service revenue	<u>\$32,644,828</u>	<u>\$32,402,368</u>

Inpatient		Outpatient		Swing bed	
Year ended June 30		Year ended June 30		Year ended June 30	
2016	2015	2016	2015	2016	2015
\$3,111,480	\$3,225,660	\$ —	\$ —	\$ —	\$ —
—	—	—	—	433,882	399,135
119,584	130,525	—	—	—	—
<u>3,231,064</u>	<u>3,356,185</u>	<u>—</u>	<u>—</u>	<u>433,882</u>	<u>399,135</u>
1,490,554	1,887,252	4,664,921	4,728,219	5,361	415
203,999	233,360	48,807	79,090	—	—
811,069	1,063,644	1,005,335	1,106,518	48,351	38,707
60,783	87,221	6,727,350	6,951,881	3,300	1,420
—	—	1,346,276	1,346,877	—	—
<u>2,566,405</u>	<u>3,271,477</u>	<u>13,792,689</u>	<u>14,212,585</u>	<u>57,012</u>	<u>40,542</u>
754,902	690,993	7,367,604	7,380,803	70,254	69,934
62,990	78,748	1,107,780	1,107,450	1,250	1,000
260,335	362,906	7,279,781	7,545,972	19,606	18,507
696,117	735,615	1,910,595	1,717,366	208,941	179,161
425,426	540,777	1,267,118	1,176,947	3,554	675
153,885	147,492	112,625	197,290	40,155	25,770
93,086	102,582	1,557,914	1,592,715	68,288	65,934
33,363	46,212	312,058	257,806	37,974	31,550
19,580	29,790	435,831	504,662	35,720	37,692
34,947	29,650	457,029	484,864	23,771	18,780
1,200	1,305	165	285	—	—
—	—	6,343,220	5,828,687	—	—
—	—	193,040	160,170	—	—
<u>2,535,831</u>	<u>2,766,070</u>	<u>28,344,760</u>	<u>27,955,017</u>	<u>509,513</u>	<u>449,003</u>
<u>\$8,333,300</u>	<u>\$9,393,732</u>	<u>\$42,137,449</u>	<u>\$42,167,602</u>	<u>\$1,000,407</u>	<u>\$ 888,680</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PROVISION FOR CONTRACTUAL AND OTHER ADJUSTMENTS**

	Year ended June 30	
	2016	2015
Contractual adjustments	\$17,813,424	\$19,070,256
Employee and other allowances	231,534	249,090
Provision for bad debts	<u>562,083</u>	<u>540,021</u>
Totals	<u>\$18,607,041</u>	<u>\$19,859,367</u>

OTHER REVENUE

	Year ended June 30	
	2016	2015
Cafeteria	\$ 114,733	\$ 106,469
Rental income	94,262	67,623
Park Place Estates	1,198,513	1,197,186
Lifeline	3,044	66,827
Electronic health records meaningful use incentive revenue	9,676	194,962
Pharmacy 340b program	828,537	499,344
Other	<u>664,893</u>	<u>684,049</u>
Totals	<u>\$2,913,658</u>	<u>\$2,816,460</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NURSING SERVICE EXPENSES**

	Year ended June 30	
	2016	2015
NURSING ADMINISTRATION		
Salaries	\$ 203,743	\$ 184,042
Supplies and expenses	<u>2,250</u>	<u>2,644</u>
	<u>205,993</u>	<u>186,686</u>
MEDICAL, SURGICAL AND OBSTETRIC		
Salaries	1,802,120	1,773,029
Supplies and expenses	<u>51,028</u>	<u>58,947</u>
	<u>1,853,148</u>	<u>1,831,976</u>
NURSERY		
Salaries	28,337	30,012
Supplies and expenses	<u>1,926</u>	<u>2,244</u>
	<u>30,263</u>	<u>32,256</u>
OPERATING AND RECOVERY ROOMS		
Salaries	532,435	484,504
Professional fees	1,324,340	1,304,595
Supplies and expenses	<u>190,009</u>	<u>193,265</u>
	<u>2,046,784</u>	<u>1,982,364</u>
DELIVERY AND LABOR ROOM		
Salaries	41,122	39,912
Supplies and expenses	<u>7,094</u>	<u>11,869</u>
	<u>48,216</u>	<u>51,781</u>
CENTRAL SERVICE AND SUPPLY		
Salaries	142,319	132,471
Purchased services	27,694	20,086
Supplies and expenses	<u>929,962</u>	<u>1,182,676</u>
	<u>1,099,975</u>	<u>1,335,233</u>
EMERGENCY SERVICE		
Salaries	870,621	829,690
Professional fees	1,287,292	1,264,638
Supplies and expenses	<u>74,299</u>	<u>82,526</u>
	<u>2,232,212</u>	<u>2,176,854</u>
HOME HEALTH		
Salaries	862,981	804,685
Purchased services	117,478	75,611
Supplies and expenses	<u>111,462</u>	<u>104,116</u>
	<u>1,091,921</u>	<u>984,412</u>
Totals	<u>\$8,608,512</u>	<u>\$8,581,562</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
OTHER PROFESSIONAL SERVICE EXPENSES**

	Year ended June 30	
	2016	2015
LABORATORY		
Salaries	\$ 774,084	\$ 733,268
Professional fees	8,808	6,678
Purchased services	430,263	316,931
Supplies and expenses	484,742	494,350
Blood	47,497	47,316
	<u>1,745,394</u>	<u>1,598,543</u>
ELECTROCARDIOLOGY		
Salaries	11,728	10,673
Purchased services	116,660	126,177
Supplies and expenses	919	925
	<u>129,307</u>	<u>137,775</u>
RADIOLOGY		
Salaries	1,033,334	744,787
Professional fees	400,019	712,155
Purchased services	574,230	630,667
Supplies and expenses	345,731	357,267
	<u>2,353,314</u>	<u>2,444,876</u>
PHARMACY		
Salaries	186,392	292,679
Purchased services	389,886	226,894
Drugs	1,092,914	786,179
Intravenous solutions and supplies	28,805	13,106
Supplies and expenses	8,262	22,753
	<u>1,706,259</u>	<u>1,341,611</u>
ANESTHESIOLOGY		
Purchased services	698,756	703,348
Supplies and expenses	10,295	13,650
	<u>709,051</u>	<u>716,998</u>
RESPIRATORY THERAPY		
Salaries	149,181	160,552
Supplies and expenses	2,473	2,960
	<u>151,654</u>	<u>163,512</u>
PHYSICAL THERAPY		
Salaries	140,599	129,900
Purchased services	853,851	896,608
Supplies and expenses	32,266	31,890
	<u>1,026,716</u>	<u>1,058,398</u>
OCCUPATIONAL THERAPY		
Purchased services	210,867	184,562
Supplies and expenses	1,325	455
	<u>212,192</u>	<u>185,017</u>
OCCUPATIONAL HEALTH		
Salaries	2,875	45,756
Supplies and expense	1,060	2,177
	<u>3,935</u>	<u>47,933</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
OTHER PROFESSIONAL SERVICE EXPENSES (continued)**

	Year ended June 30	
	2016	2015
FLOYD VALLEY HOME MEDICAL EQUIPMENT		
Salaries	\$ 63,492	\$ 75,054
Supplies and expenses	1,034	827
	<u>64,526</u>	<u>75,881</u>
SPEECH THERAPY		
Salaries	210,024	233,112
Purchased services	81,044	70,169
Supplies and expenses	10,497	12,140
	<u>301,565</u>	<u>315,421</u>
ENTEROSTOMY		
Salaries	207,444	195,378
Supplies and expenses	7,147	5,570
	<u>214,591</u>	<u>200,948</u>
AUDIOLOGY		
Salaries	347	409
Purchased services	140	1,278
Supplies and expenses	167	165
	<u>654</u>	<u>1,852</u>
CLINICS		
Salaries	2,142,036	2,121,808
Professional fees	2,104,333	1,825,312
Purchased services	84,107	81,902
Supplies and expenses	672,002	595,490
	<u>5,002,478</u>	<u>4,624,512</u>
CARDIAC REHABILITATION		
Salaries	67,731	58,091
Supplies and expenses	4,241	1,793
	<u>71,972</u>	<u>59,884</u>
LIFELINE		
Salaries	794	11,523
Purchased services	489	31,470
Supplies and expenses	1,579	15,236
	<u>2,862</u>	<u>58,229</u>
UTILIZATION AND QUALITY ASSURANCE		
Salaries	114,125	101,507
Supplies and expenses	993	4,783
	<u>115,118</u>	<u>106,290</u>
MEDICAL RECORDS		
Salaries	92,847	77,134
Purchased services	116,609	160,511
Supplies and expenses	49,436	28,246
	<u>258,892</u>	<u>265,891</u>
SOCIAL SERVICES		
Salaries	51,233	49,307
Supplies and expenses	507	2,320
	<u>51,740</u>	<u>51,627</u>
Totals	<u>\$14,122,220</u>	<u>\$13,455,198</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
GENERAL SERVICE EXPENSES**

	Year ended June 30	
	<u>2016</u>	<u>2015</u>
DIETARY		
Salaries	\$ 446,411	\$ 429,497
Food	302,551	294,967
Purchased services	36,540	34,465
Supplies and expenses	<u>61,131</u>	<u>58,117</u>
	846,633	817,046
PLANT OPERATION AND MAINTENANCE		
Salaries	270,485	254,190
Utilities	277,429	262,610
Purchased services	23,449	23,665
Supplies and expenses	<u>145,033</u>	<u>85,697</u>
	716,396	626,162
HOUSEKEEPING		
Salaries	204,954	194,789
Purchased services	495	2,473
Supplies and expenses	<u>35,149</u>	<u>35,880</u>
	240,598	233,142
LAUNDRY AND LINEN		
Purchased services	60,533	60,477
Supplies and expenses	<u>17,000</u>	<u>17,565</u>
	77,533	78,042
 Totals	 <u>\$1,881,160</u>	 <u>\$1,754,392</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
FISCAL AND ADMINISTRATIVE SERVICE
AND UNASSIGNED EXPENSES**

	Year ended June 30	
	2016	2015
FISCAL AND ADMINISTRATIVE SERVICE		
Administration		
Salaries	\$ 169,091	\$ 156,914
Management fee	475,940	450,313
Telephone	30,290	37,814
Postage	39,798	44,062
Supplies and expenses	142,710	122,059
Freight	38,154	41,642
Organization dues	745	1,315
Public relations	42,395	15,702
Marketing	150,416	128,525
	<u>1,089,539</u>	<u>998,346</u>
Business office		
Salaries	600,635	555,879
Supplies and expenses	<u>305,221</u>	<u>305,007</u>
	<u>905,856</u>	<u>860,886</u>
Data processing		
Salaries	122,521	120,261
Supplies and expenses	<u>822,547</u>	<u>911,334</u>
	<u>945,068</u>	<u>1,031,595</u>
Human resources		
Salaries	132,355	125,565
Supplies and expenses	<u>136,953</u>	<u>87,802</u>
	<u>269,308</u>	<u>213,367</u>
Risk management		
Salaries	55,915	44,792
Supplies and expenses	<u>158,350</u>	<u>156,057</u>
	<u>214,265</u>	<u>200,849</u>
Education		
Salaries	164,111	154,806
Purchased services	14,385	8,610
Supplies and expenses	<u>29,946</u>	<u>28,638</u>
	<u>208,442</u>	<u>192,054</u>
Foundation		
Salaries	31,465	—
Supplies and expenses	<u>15,207</u>	<u>376</u>
	<u>46,672</u>	<u>376</u>
Park Place Estates		
Salaries	436,766	411,424
Purchased services	15,228	20,091
Supplies and expenses	<u>91,019</u>	<u>91,264</u>
	<u>543,013</u>	<u>522,779</u>
UNASSIGNED EXPENSES		
Employee benefits		
Payroll taxes	1,518,945	1,332,932
Group health insurance	3,076,971	2,642,908
Life and disability insurance	118,713	117,930
Tuition assistance	549	—
Insurance	<u>78,931</u>	<u>100,237</u>
	<u>4,794,109</u>	<u>4,194,007</u>
Totals	<u>\$9,016,272</u>	<u>\$8,214,259</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
COMPARATIVE STATISTICS
(Unaudited)

	Year ended June 30	
	<u>2016</u>	<u>2015</u>
PATIENT DAYS		
Acute	1,807	1,945
Nursery	202	227
Swing bed		
Skilled nursing care	638	615
Intermediate care	<u>27</u>	<u>19</u>
Totals	<u>2,674</u>	<u>2,806</u>
 ADMISSIONS	579	651
DISCHARGES	582	658
AVERAGE LENGTH OF STAY, acute	3.10	2.96
 BEDS	25	25
OCCUPANCY PERCENT, ACUTE	19.75%	21.32%
 NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$89,194	\$88,774
 NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	52.79	42.09

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/Contract #</u>	<u>Federal Expenditures</u>
<u>Direct Federal Awards</u>			
United States Department of Agriculture			
Community Facilities Loans and Grants	10.766	N/A	\$ <u>7,958,420</u>

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Hospital under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Independent Auditor's Report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
LeMars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and its component unit, Floyd Valley Hospital Foundation, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Floyd Valley Hospital's and its component unit's basic financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's and Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's and Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's and Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's and Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's and Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's and Foundation's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital and Foundation. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's and Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's and Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 7, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

The Board of Directors
Floyd Valley Hospital d/b/a Floyd Valley Healthcare
LeMars, Iowa

Report on Compliance for Each Major Federal Program

We have audited Floyd Valley Hospital d/b/a Floyd Valley Healthcare's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Floyd Valley Hospital d/b/a Floyd Valley Healthcare's major federal programs for the year ended June 30, 2016. Floyd Valley Hospital d/b/a Floyd Valley Healthcare's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Floyd Valley Hospital d/b/a Floyd Valley Healthcare's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd Valley Hospital d/b/a Floyd Valley Healthcare's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Floyd Valley Hospital d/b/a Floyd Valley Healthcare's compliance.

Opinion on Each Major Federal Program

In our opinion, Floyd Valley Hospital d/b/a Floyd Valley Healthcare complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Floyd Valley Hospital d/b/a Floyd Valley Healthcare is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Floyd Valley Hospital d/b/a Floyd Valley Healthcare's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Floyd Valley Hospital d/b/a Floyd Valley Healthcare's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 7, 2016

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS
Year ended June 30, 2016**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

Part II—Findings Related to Required Statutory Reporting

16-II-A CERTIFIED BUDGET

Based on a comparison of actual and budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2016.

16-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

16-II-C TRAVEL EXPENSES

No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

16-II-D BUSINESS TRANSACTIONS

No business transactions were found between the Hospital and Hospital officials and/or employees.

16-II-E BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

16-II-F DEPOSITS AND INVESTMENTS

We noted no instance of noncompliance with the deposit and investment provisions of Chapter 12B & 12C of the Code of Iowa and the Hospital's investment policy.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016**

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- (a) The auditor's report expresses an unmodified opinion on whether the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare were prepared in accordance with generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) No instances of noncompliance material to the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

- (d) No material weaknesses in internal controls over the major federal award programs were disclosed by the audit of the financial statements.
- (e) The auditor's report on compliance for the major program expresses an unmodified opinion on the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR section 200.516.
- (g) The major program is as follows:
CFDA Number 10.766 – Community Facilities Loans and Grants
- (h) The dollar threshold used for distinguishing between Types A and B programs was \$750,000.
- (i) Floyd Valley Hospital d/b/a Floyd Valley Healthcare does not qualify as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.